(a) the age fixed for a senior citizen to be eligible to get benefit under Income-Tax Act and post office savings;

(b) whether the age fixed for a senior citizen to get benefit of interest in Bank deposit or concession in rail reservation is 60 years; and

(c) if so, the reasons for disparity and steps taken to enforce uniformity of age as a senior citizen?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) The Income-tax Act provides for a tax rebate upto rupees fifteen thousand in case of individuals of sixty-five years and above. There are no special benefits to senior citizens under the post office savings;

(b) Yes, Sir.

(c) In 1992, the tax rebate was only 10% of tax and was restricted to senior citizens having income below rupees fifty thousand. Subsequently, the rebate has been increased to rupees fifteen thousand and has been made applicable to all individuals above the age of 65 years. In view of the revenue considerations, the present age limit is considered adequate.

Guidelines for establishment of commercial banks

1712. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) what are the latest guidelines for establishment of commercial banks in private sector;

(b) the details of the commercial banks, both in the private and the public sector together with their total paid-up capital, deposits and disbursal, particularly to the priority sector, during the last 3 years;

(c) the details of acquisitions and mergers of banks during the last three years with latest guidelines in this regard;

(d) whether any more proposals for acquisition and mergers are in the pipeline; and

(e) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) Reserve Bank of India (RBI) had

issued guidelines on 03.01.2001 for entry of new banks in the private sector a copy of which is given in the enclosed Statement-I (*See* below).

(b) The details of capital, deposits, loans and advances and lending to priority sector by the 27 public sector banks and 30 private sector banks for the last three years are given in the enclosed Statement-II (*see* below).

(c) The details of mergers/amalgamations of banks that have taken place during the last three years are as under:

Name of the Banks amalgamated	w.e.f.
Sikkim Bank Ltd. with Union Bank of India	22.12.1999
Times Bank Ltd. with HDFC Bank Ltd.	26.02.2000
Bank of Madura Ltd. with ICICI Bank Ltd.	10.03.2001
Benaras State Bank Ltd. with Bank of Baroda	20.06.2002
Nedungadi Bank Ltd. with Punjab National Bank	01.02.2003

The provision of the Banking Regulation Act, 1949 clearly lays down procedure for merger of banking companies. Under the existing regulations, the mergers and amalgamations of banking companies are primarily regulated under Section 44A and Section 45 as well as Section 36AE and 36 AF of the Banking Regulation Act, 1949.

(d) No, Sir.

(e) Does not arise.

Statement-I

Guidelines on entry of new banks in the private sector
Janaury 3, 2001

The guidelines for licensing of new banks in the private sector were issued by the Reserve Bank of India (RBI) on January 22, 1993. Out of various applications received, RBI had granted licences to 10 banks. After a review of the experience gained on the functioning of the new banks in the private sector, in consultation with the Government, it has now been decided to revise the licensing guidelines.

The revised guidelines for entry of new banks in private sector are given below. The guidelines are indicative and any other relevant factor or circumstances would be kept in view while considering an application.

With the issue of revised guidelines, applications pending with RBI would be treated as lapsed.

2. **Guidelines**

(i) The initial minimum paid-up capital for a new bank shall be Rs. 200 crore. The initial capital will be raised to Rs. 300 crore within three years of commencement of business. The overall capital structure of the proposed bank including the authorised capital shall be approved by the RBI.

(ii) The promoters' contribution shall be a minimum of 40 per cent of the paid-up capital of the bank at any point of time. The initial capital, other than the promoters' contribution, could be raised through public issue or private placement. In case the promoters' contribution to the initial capital is in excess of the minimum proportion of 40 per cent, they shall dilute their excess stake after one year of the bank's operations. (In case divestment after one year is proposed to be spread over a period of time, this would require specific approval of the RBI). Promoters' contribution of 40% of the initial capital shall be locked in for a period of five years from the date of licensing of the bank.

(iii) While augmenting capital to Rs. 300 crore within three years of commencement of business, the promoters will have to bring in additional capital, which would be at least 40 per cent of the fresh capital raised. The remaining portion could be raised through public issue or private placement. The promoters' contribution of a minimum of 40% of additional capital will also be locked in for a minimum period of 5 years from the date of receipt of capital by the bank.

(iv) NRI participation in the primary equity of a new bank shall be to the maximum extent of 40 per cent. In the case of a foreign banking company or finance company (including multilateral institutions) as a technical collaborator or a co-promoter, equity participation shall be restricted to 20 per cent within the above ceiling of 40 per cent. In cases of shortfall in foreign equity contributions by NRIs, designated multilateral institutions would be allowed to contribute foreign equity to the extent of the shortfall in NRI contribution to the equity. The proposed bank shall obtain

necessary approval of Foreign Investment Promotion Board of the Government of India and Exchange Control Department of RBI.

(v) The new bank should not be promoted by a large industrial house. However, individual companies, directly or indirectly connected with large industrial houses may be permitted to participate in the equity of a new private sector bank up to a maximum of 10 per cent but will not have controlling interest in the bank. The 10 per cent limit would apply to all inter-connected companies belonging to the concerned large industrial houses. In taking a view on whether the companies, either as promoters or investors, belong to a large industrial house or to a company connected to a large industrial house, the decision of the RBI will be final.

(vi) The proposed bank shall maintain an arms length relationship with business entities in the promoter group and the individual company/ies investing upto 10% promoters and company/ies investing up to 10 per cent of the equity. The relationship between business entities in the promoter group and the proposed bank shall be of a similar nature as between two independent and unconnected entities. In taking view on whether a company belongs to a particular Promoter Group or not, the decision of RBI shall be final.

(vii) **Conversion of NBFCs into private sector banks**

An NBFC with a good track record desiring conversion into a bank should satisfy the following criteria:

- The NBFC should have a minimum net worth of Rs. 200 crore in its latest balance sheet which will stand increased to Rs. 300 crore within three years from the date of conversion.
- The NBFC should not have been promoted by a large Industrial House or owned/controlled by public authorities, including Local, State or Central Governments.
- The NBFC should have acquired a credit rating of not less than AAA rating (or its equivalent) in the previous year.
- The NBFC should have an impeccable track record in compliance

with RBI regulations/directions and in repayment of public deposits and no default should have been reported.

- The NBFC desiring conversion into bank should have capital adequacy of not less than 12 per cent and net NPAs of not more than 5 per cent.
- The NBFC on conversion to a bank will have to comply with Capital Adequacy Ratio and all other requirements such as lending to priority sector, promoters' contribution, lock-in period for promoters' stake, dilution of promoters' stake beyond the minimum, NRI and foreign equity participation, arms length relationship, etc. as applicable to banks.

3. **Other Requirements**

(i) The bank shall be required to maintain a minimum capital adequacy ratio of 10 per cent on a continuous basis from the commencement of its operations.

(ii) In order to ensure level playing field,

(a) the new bank will have to observe priority sector lending target of 40 per cent of net bank credit as applicable to other domestic banks, and

(b) the new bank will be required to open 25 per cent of its branches in rural and semi-urban areas to avoid over concentration of their branches in metropolitan areas and cities on the same lines as new private sector banks established under guidelines laid down by RBI in January 1993,

(iii) the promoters, their group companies and the proposed bank shall accept the system of consolidated supervision by the Reserve Bank of India.

(iv) The new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years from the date of commencement of business.

(v) The headquarters of the proposed new bank could be in any location in India as decided by the promoters.

(vi) The new bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications etc. in order to provide cost-effective customer service. It should have

a high powered Customer Grievances Cell to handle customer complaints.

(vii) The new bank will be governed by the provisions of the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, other relevant Statutes and the Directives, Prudential regulations and other Guidelines/Instructions issued by RBI and the regulations of SEBI regarding public issues and other guidelines applicable to listed banking companies.

4. **Procedure for Applications**

(i) In terms of Rule 11 of the Banking Regulation (Companies) Rules, 1949 applications shall be submitted in the prescribed form (Form III). In addition, the applications should furnish a project report covering business potential and viability of the proposed bank, the business focus, the product lines, proposed regional or locational spread, level of information technology capability and any other information that they consider relevant. The project report should give as much concrete details as feasible, based on adequate ground level information and avoid unrealistic or unduly ambitious projections. Applications should also be supported by detailed information on the background of promoters, their expertise, track record of business and financial worth, details of promoters' direct and indirect interests in various companies/industries, details of credit/other facilities availed by the promoters/promoter company(ies)/other Group company(ies) with banks/financial institutions, and details of proposed participation by foreign banks/NRI/OCBs.

(ii) Applications for setting up new banks in the private sector, along with other details as mentioned above, should reach the following address before March 31, 2001.

The Chief General Manager-in-Charge,
Department of Banking Operations and Development,
Reserve Bank of India,
World Trade Centre, Centre I,
Cuffe Parade, Colaba,
Mumbai 400 005.

5. **Procedure for RBI decisions**

(i) In view of the increasing emphasis on stringent prudential norms, transparency, disclosure requirements and modern technology, the new banks need to have strength and efficiency to work profitably in a highly competitive environment. As a number of banks are already functioning, licences will be issued on a very selective basis to those who conform to the above requirements and who are likely to conform to the best international and domestic standards of customer service and efficiency. Preference will however be given to promoters with expertise of financing priority areas and in setting up banks specialising in the financing of rural and agro based industries. The number of licences to be issued in the next three years may be restricted to two or three of the best acceptable proposals. This number would also include permission granted to any NBFC for conversion into bank. (If the number of acceptable proposals of the highest standards are more than three, this limit may be relaxed on recommendation of the Advisory Committee (*see* below). In that case the period for issuing new licences may be stretched to four or five years).

(ii) At the first stage, the applications will be screened by RBI to ensure *prima facie* eligibility of the applicants. Thereafter, the applications will be referred to a high-level Advisory Committee to be set up the RBI comprising.

Dr. I.G. Patel, former Governor of Reserve Bank of India	—	Chairman
Shri C.G. Somiah, former Comptroller and Auditor General of India	—	Member
Shri Dipankar Basu, former Chairman of State Bank of India	—	Member

Chief General Manager of the Department of Banking Operations and Development of RBI will be the Secretary of the Advisory Committee.

(iii) The Committee will set up its own procedures for screening the applications. The Committee will reserve the right to call for more information as well as have discussions with any applicant/s and seek clarification on any issue as required by it. The Committee

will submit its recommendations to RBI for consideration within three months after the last date of receipt of applications by RBI (*i.e.* 30 June, 2001). The decision to issue an in-principle approval for setting up of a bank will be taken by RBI. RBI's decision will be final.

(iv) The validity of the in-principle approval issued by RBI will be one year from the date of granting in-principle approval and would thereafter lapse automatically.

(v) After issue of the in-principle approval for setting up of a bank in the private sector, if any adverse features are noticed subsequently regarding the promoters or the companies/firms with which the promoters are associated and the group in which they have interest, the Reserve Bank of India may impose additional conditions and if warranted, it may withdraw the in-principle approval.

Alpana Killawala
General Manager

Press Release: 2000-2001/963

Statement-II

Capital, deposits, advances and priority sector advances of public sector banks and private sector banks

Item	Public Sector Banks			Private Sector Banks		
	31.03.01	31.03.02	31.03.03*	31.03.2000	31.03.01	31.03.02*
Capital	14547	15178	14176	1797	1878	2719
Deposits	859462	968749	1032280	110039	136635	169439
Loans and Advances	414989	480681	564534	54196	68111	116430
Priority Sector Advances	146546	171185	203095	18019	21550	25709

*Latest available.

Outstanding Income-tax and Central excise duties

1713. DR. ABRAR AHMED: Will the Minister of FINANCE be pleased to state: